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**FISCAL IMPACT STATEMENT**

**LS 6169**

**BILL NUMBER:** HB 1085

**NOTE PREPARED:** Nov 28, 2011

**BILL AMENDED:**

**SUBJECT:** Environmental Review of Hydraulic Fracturing.

**FIRST AUTHOR:** Rep. Moses

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill defines hydraulic fracturing. It also requires the Natural Resources Commission to regulate hydraulic fracturing.

The bill requires an operator that performs or intends to perform hydraulic fracturing to submit an environmental compliance plan to the Department of Natural Resources (DNR) for review and approval. It requires an operator to disclose chemical constituents used in hydraulic fracturing. It also requires the DNR to publish the information received on its web site. The bill requires disclosure of proprietary chemical composition in a medical emergency. It requires the DNR to prescribe a process for reviewing an environmental compliance plan and for disclosure of proprietary information in a medical emergency.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:** *Environmental Compliance Plan Review:* The total amount of staff time involved with the review and processing of the hydraulic fracturing plans could vary from 3.75 hours to 5 working days per application. The anticipated number of plans reviewed on an annual basis is expected to vary between 30 and 60 wells per year. The DNR Division of Oil & Gas reports that while the anticipated increase in workload might not require a staffing increase, the significant increase in the workload could increase the permit processing times.

***Rules:*** The Natural Resources Commission (NRC) is required to regulate hydraulic fracturing. The commission should be able to adopt rules given its existing level of funding.

*Background:* The Division of Oil & Gas does not receive funding from the state General Fund, but is funded by a dedicated fund and federal funds. The dedicated fund--the Oil & Gas Fund--receives 70% to 80% of its revenue from the Petroleum Severance Tax. Other sources of revenue for the fund include permit fees assessed when applying for a permit to drill for oil and/or gas. The Division operates on a budget of approximately \$1.3 M.

**Explanation of State Revenues:** No additional permit revenue is expected because the wells have already received a Class II permit.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DNR, Natural Resources Commission.

**Local Agencies Affected:**

**Information Sources:** DNR.

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